NCHER

DAILY BRIEFING

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NCHER Daily Briefing to Publish on Abbreviated Schedule This Week

The *NCHER Daily Briefing* will publish on an abbreviated schedule consisting of today and Thursday while Congress is in recess for the month of August.

NCHER Weekly Rundown

Weekly Rundown

The NCHER Weekly Rundown, which includes the latest information on important events in Washington, DC, is available today and can be downloaded from the NCHER website.

Department of Education Nominates Amy Loyd for Assistant Secretary of Career, Technical, and Adult Education

Last week, the U.S. Department of Education **announced** that it would nominate Amy Loyd to serve as the next Assistant Secretary for Career, Technical, and Adult Education. She currently serves as the Acting Assistant Secretary for Policy and Strategic Initiatives. According to the Department, prior to joining the Biden Administration, Dr. Loyd was Vice President at Jobs for the Future (JFF) where she designed and led programs across the United States that improve education and workforce outcomes. Her work at JFF focused on state and regional policies, practices, and cross-sector partnerships that engaged K-12 education, community colleges, adult education, workforce development, economic development, and employers to build systems of college and career pathways. She also oversaw JFF's work in workforce development with a lens on economic advancement, state and federal policy, and diversity, equity, and inclusion. Previously, she was the Director of Education at Cook Inlet Tribal Council, leading a network of schools providing culturally responsive education, training, and wraparound services to the Alaska Native and Native American communities. Dr. Loyd attended Santa Fe Community College and Northern New Mexico Community College.

Center for Responsible Lending Brief Examines "Underwater Borrowers"

The Center for Responsible Lending and the National Consumer Law Center recently released an **issue brief** that found two in three borrowers who made payments during the federal student loan payment pause were underwater. The data for the brief came from a Freedom of Information Act request filed with the U.S. Department of Education for data on borrowers who made at least one voluntary payment during the payment pause. The dataset included 428,268 borrowers serviced by Navient who collectively owe almost $28 billion. According to the report, nearly two-thirds (63 percent) of borrowers who made at least one payment during the COVID-19 payment pause were "underwater," meaning that they have not repaid even $1 of their original balance. Of the underwater borrowers, almost 90,000 borrowers (33 percent of all underwater borrowers) owe more than 125 percent of their original balance despite making at least one payment during the COVID-19 payment pause.

Third Way Memo Provides Recommendations for How to Fix the Student Loan System

Last week, Third Way released a [memo] that provides several recommendations for how federal policymakers can fix the student loan system. The memo says that, with 45 million Americans currently holding more than $1.6 trillion in federal student loan debt and future students projected to take out another $1.6 trillion between now and 2035, the current system needs more than a band-aid fix like debt cancellation. ”There’s no question that bold, structural changes are required to help struggling borrowers today and ensure that the repayment system is clear, effective, and manageable over the long term for those who will pursue a postsecondary credential in the years to come,” the memo begins. It outlines six policy ideas that would address the structural issues of the student loan repayment system in order to ensure that the repayment system is "clear, effective, and manageable" for years to come. The recommendations would:

- Make it easier for borrowers to enroll in and benefit from income-driven repayment.
- Repair and reimagine the maze of existing loan forgiveness programs.
- Ensure that borrowers spend more time paying down their principal than interest.
- Putting an end to collection and servicing practices that are hurting borrowers.
- Ensure that institutions have skin in the game.
- Forgive debt for the most distressed borrowers.

Of interest to the NCHER membership, the fourth recommendation urges policymakers to do the following:

- ***Stop harmful collection practices that prevent borrowers from obtaining employment or further education and earning a living.****One practice used by the federal government to collect defaulted student loans from struggling borrowers is wage and benefit garnishment. The Department can currently take either 15 percent of a borrower’s wages and benefits or their entire tax refund when they are in default. Borrowers in default can also have their state professional licenses revoked or suspended, making it even more difficult for them to find the employment necessary to put them back on track to repayment. Focusing on keeping borrowers out of default, rather than wage garnishment practices that put repayment further out of reach, is a win for struggling borrowers and a more efficient use of taxpayer funds. Congress could also restore Pell Grant eligibility for defaulted borrowers who lose eligibility for federal financial aid at the time of default,* *allowing them to continue to pursue higher education and earn a living wage that will allow them to make progress toward repaying their loans.*

- ***Make repayment less punitive and rigid for borrowers.*** *Student loan repayment can be a confusing process for borrowers—made even more difficult by the practices used by many servicers as well as the Department. But there are some steps Congress can take to make the process easier. One option would be to prohibit a federal student loan collector from collecting on debt owed by a borrower earning below a certain income or who would have a zero-dollar payment if enrolled in an Income Driven Repayment plan. Another is to allow parents to transfer Parent PLUS loans to the student with the consent of the parent, student, and lender. This would help ease the burden on parents who took on a large debt load to help their student go to college but may have difficulty paying it back.*
- ***Reassess incentives and performance assessment for servicers to better align servicer and student interests.*** *Recent research has confirmed what borrowers already know: the goals of student loan servicers and the best interest of borrowers tend to conflict with each other. That's in part because of the current model of how incentives and penalties are structured in servicer contracts. In reviewing those contracts as part of Federal Student Aid's Next Gen initiative, the Department should pay attention to how to better align borrower and servicer interests for smoother repayment and better outcomes.*

U.S. Department of Education News

For today's *Federal Register*, click **here**.
The following announcement was posted to the Information for Financial Aid Professionals website:

- **Federal Preemption and Federal-State Oversight of the Federal Student Loan Servicers**

General News

Inside Higher Ed reports that the U.S. Department of Education has been listening to suggestions from Senate Majority Leader Chuck Schumer (D-NY) and Sen. Elizabeth Warren (D-MA) on how it can address student loan debt. And the U.S. Senate appears ready -- after its recess -- to confirm James Kvaal who has been nominated to serve as the next Under Secretary.

Forbes reports that House Speaker Nancy Pelosi (D-CA) recently said that the President does not have the legal authority to enact wide-scale student loan forgiveness. But these 80 advocacy organizations disagree.

Newsweek includes an op-ed by Goodly Chief Executive Officer Gregory Poulin who argues that, instead of canceling student loan debt, employers should help repay their workers' student loans.

Q13 Fox Seattle examines who is impacted by the newest guidance from the U.S. Department of Education that takes effect this week, which allows state governments to regulate and take action against student loan servicers on behalf of borrowers within their state.

Forbes includes an op-ed by Ohio University Distinguished Professor of Economics Emeritus Richard Vedder who argues how federal policymakers can solve the federal student loan fiasco.

Inside Higher Ed reports that pent up demand for an in-person college experience has led to student housing shortages at some colleges and universities this fall. But pandemic-related enrollment has dropped at other institutions, leaving residence halls below full capacity.

Higher Ed Dive highlights the new Brookings Institution report that argues for a major infusion of federal money into an overlooked group of schools. Its authors developed a proposal for regional schools specifically located in economically challenged areas.

NPR reports that the efforts of Historically Black Colleges and Universities to erase student debt with federal funds brings hope for students and schools.

The Hill includes an interview with *The American Prospect* Executive Editor David Dayen who says that the system for paying back federal student loans turns “students into indentured servants.” Mr. Dayen argued in favor of extending the moratorium on federal student loan payment, and eventually canceling debt all together.

CNBC reports that college costs are rising and many families have no idea just how expensive higher education can be.

An online version of this Daily Briefing is available to view and print from the
Daily Briefing Section of the **NCHER e-Library**.

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